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NSC BRIEFING

30 December 1953

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THE SITUATION IN IRAN

I. Resumption of diplomatic relations between
Iran and Britain.

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- A. First break in three-year impasse between two countries paves way for a new attempt to settle oil problem. Formal resumption of relations on 23 December was followed by arrival in Tehran on 21 December of British charge Dennis Wright and his staff of 15.
- C. Wright's major task is to assess Iranian attitude toward an oil settlement and report to London. This will take at least several weeks; may take considerably longer.

II. Anticipated developments in oil negotiations

- A. After oil talks actually begin, a minimum of several months of negotiations are expected.
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B. British attitude will be determined largely by Wright's assessment.

C. Sir William Fraser, AIOC chairman, strongly intimated to oil company representatives meeting in London in early December that his company wanted

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D.

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Iran would not agree to any one company holding more than 35 percent, and no single country 50 percent or more, of the shares in any consortium.

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E. Other points of difference will appear as both sides prepare for actual talks. Differences will include compensation due AIOC, use and control of foreign technicians, and refined versus crude oil production.

F. It will probably be months before any agreement can be reached. Still no assurance of ultimate agreement.

III. Internal problems facing Zahedi.

A. In trying to establish confidence in his regime, Prime Minister Zahedi must win public support for his oil negotiations

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- B. He must convince public that he will protect Iran's rights in coming oil talks. Since his government has just sentenced to prison former prime minister Mossadeq, father of oil nationalization, Zahedi will find it difficult to prove that he is not a British tool.
- C. Old Majlis and Senate have been dissolved and elections for new Majlis are scheduled to take place before end of January. Elections for Majlis and Senate will take place on separate days, but each must be completed within 24 hours. Previously elections lasted many months and often were

never completed.

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D. Shah and prime minister reportedly have agreed on list of candidates whom they will support covertly. Organizations allegedly have already been set up to manipulate elections in government's favor. [REDACTED]

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E. If a parliament amenable to government can be elected and be available to approve prime minister's actions, stigma of military dictatorship will be removed from Zahedi regime.

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- F. In elections Zahedi will face both Communist and non-Communist opposition. It is likely that electoral cooperation will be established between Tudeh and some non-Communist groups in an attempt to elect anti-Zahedi deputies.
- G. Communists will not run as Communists since Tudeh continues to be banned.
- H. Main disruptive influence in new Majlis, as in previous ones, will be

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deputies and pressure of special interests.

IV. Friction between shah and Zahedi.

- A. Continued possibility of serious friction arising between shah and Zahedi remains a threat to governmental stability.

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- B. Although earlier disagreements between two apparently were resolved, shah's intervention on Mossadeq's behalf raises possibility of new friction.
- C. Shah, by announcing his forgiveness of Mossadeq's offenses against throne, apparently hoped to win public favor and disassociate himself from court's sentence. An unfavorable reaction would accordingly be directed against Zahedi rather than shah.
- D. Zahedi reportedly strongly opposed shah's intervention before sentence was passed.

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- E. Mossadeq's continued presence within country will constantly remind his adherents of his potential availability and invite action to free him. His presence will be a continuing concern of government.
- F. Mossadeq's appeal for review of his sentence was granted. Proceedings will start 2 January and may take several weeks. Although appeal court is competent to change lower courts' sentence in any direction, it is likely that decision will be sustained unless shah again intervenes. A further appeal is possible if the shah should authorize an extraordinary court to pass on the case.

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Next few months will be crucial for Iran's future. Success or failure of pro-Western Zahedi government hangs on its ability to make substantial economic and social progress even after present \$45 million emergency financial aid furnished by the US runs out in March or April.